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LTC (P) Roger E. McCauley  
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### **Is There a Dollars and Sense Solution to the Balkan War?**

There is disorder in the much ballyhooed new world order. The black and white issues of a bipolar world are now shaded in an obscure multipolar gray. The old, familiar paradigms are gone. We appear to be entering an era when economic power is as important as military power relative to how both influence our ability to pursue national security interests. Policy makers, whose job it is to outline strategic national security positions, are having more than a little difficulty in coming to grips with this new reality. Many qualify their approach to designing a new grand strategy with disclaimers that we are in a period of "unpredictability", "uncertainty", "a time of hard choices", of "no easy solutions" and "reassessment". This approach makes for stimulating intellectual and academic debate, but brings us no closer to agreeing on a strategy, grand or otherwise, that will serve the national interests. Like it or not maintaining both peace and U.S. influence and prestige in the new world order will mean continued U.S. leadership in world events. U.S. leadership means charting a proactive vice reactive national strategy. A proactive national strategy means that the U.S. must sooner or later confront the Balkan War.

After spending an estimated \$10 trillion<sup>1</sup> to win the Cold War are the United States national security interests threatened by a bloody civil war in the Balkans? Will this conflict, ironically set in motion in part due to the collapse of the Soviet Union,<sup>2</sup> spread and engulf other countries? Has the U.S. charted the right strategy in dealing with the Balkan War? Are there alternative strategies?

This paper will briefly summarize the conflict in the Balkans, argue that a military solution is too costly and propose the argument that the U.S., with the cooperation of the

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industrialized and economically prosperous nations of the world, has the ability to use a series of economic incentives and economic disincentives to stop the fighting without direct military intervention. In summary the strengths and weakness of the arguments made will be analyzed.

### **The Balkan War- What is the fighting *Really* all about?**

It is relatively easy to define the origin of conflict in the Balkans, but much more difficult to define its limits, to guess where and when the fighting will stop or to propose a workable cease fire. Until 1991 the republics of Serbia, Croatia, Slovenia, Macedonia, Bosnia and Herzegovina and two autonomous provinces (Kosovo and Vojvodina) were part of Yugoslavia.<sup>3</sup> In 1991 Slovenia and Croatia announced their succession from the federation. Macedonia and Bosnia voted for independence. Civil war erupted when Croatia's Serbian minority, backed by the Yugoslavian Army, resisted independence. The army, primarily under Serbian control, invaded Croatia in June 1991.<sup>4</sup> After more than a year of fighting Bosnian-Serbs, who oppose succession, have captured two-thirds of Bosnia territory. Ethnic animosities (some naturally occurring and others generated to serve a political purpose), religious clashes, generational feuding, fractional fighting and shifting alliances have fueled the conflict and threaten to spread the strife to Albania, Greece, Bulgaria and Turkey.<sup>5</sup> It is a war with reported widespread executions, rapes, torture and prison camp atrocities that have been an all too chilling reminder of Nazi actions during World War II. More than 18,000 people are estimated to have died as a result of the fighting; 1.5 million people -most of them Muslims-have lost their homes;<sup>6</sup> 2.2 million Bosnians have been displaced<sup>7</sup> and there are more than 500,000 refugees on the move in the region.<sup>8</sup> Apocalyptic predictions by diplomats and the media forecast that countries as far away as Iran could become directly

involved in the fighting. It is a situation that seems to defy mediation unless we look closely at the real motivation for aggression: land or territorial control.<sup>9</sup>

Control of territory (land) provides both a homeland for ethnic groups and the basis for all variations of economic activity. Land is the sole long term value from which economic prosperity derives (money, industry, resources, energy). Control of territory and economic self-determination was the motivation for succession from the Yugoslav federation by Slovenia and Croatia. A very good case can be made that Serbian aggression was motivated by economic concerns as much as by ethnic, historical and religious reasons. (The Serbs did and still do lag behind the more economically developed northern region of former Yugoslavia.)<sup>10</sup> Control of land is at the heart of the Vance-Owen Plan to mediate a cease fire. (The Vance-Owen plan proposes territorial control to 10 autonomous ethnic groups and attempts "to satisfy the desire of Bosnian Muslims for a single state, the demand of Bosnian Serbs and Bosnian Croats for autonomy and the outside worlds wish not to abandon the Muslims."<sup>11</sup>). The U.S. opposes the compromise because it appears to concede territory forcibly taken by Serbia who is widely viewed as the aggressor in the war.

It is precisely the aim of the combatants in the Balkans to gain and control territory that makes them vulnerable to a series of economic incentives and disincentives. But, could a military intervention bring about a solution to the differences over territorial control and quickly end the conflict?

### **A Military Solution-Too Costly?**

Despite the reported atrocities, ethnic cleansing, besieged cities and the daily reports of civilian deaths neither the United Nations Security Council, the United States nor any European

country has seriously proposed deploying armed forces in necessary strength to stop the war. Why? Simply because military analysts and planners have concluded that the toll in lives and expenditure of national treasure would be too high. There are serious doubts that the war *can be* subdued by military intervention.

A military solution encounters scenarios closer to those experienced in Lebanon, by the British in Northern Ireland or the U.S. in Viet Nam than it does to Desert Storm.<sup>12</sup> The mountainous terrain would be a supreme challenge to soldiers and weapon systems no matter the level of technological sophistication. (Yugoslav partisan forces tied up 20 Axis divisions during World War II "even after the Nazis ordered that 100 Yugoslavs be executed for every German soldier killed."<sup>13</sup>) Testimony before the Senate Armed Forces Committee stated that between 60,000 and 120,000 troops would be needed just to protect the flow of humanitarian relief supplies to Sarajevo.<sup>14</sup>

The area is awash in weapons and arms from both the former Warsaw Pact nations and Middle East Muslim sympathizers. Such hi-tech, state of the art western technology weapons as the Stinger ground-to-air-missile are believed to be in the hands of Bosnia Muslims having found their way from Afghanistan. The warring regions are replete with hidden caches of weapons established as part of a Tito inspired defense strategy to deal with a Soviet invasion similar to that experienced by Hungary and Czechoslovakia.<sup>15</sup> Despite an 18 month-old international arms embargo, the area remains virtually a magnet for weapons of all types from all parts of the world.<sup>16</sup> Perhaps most importantly is the tenacity and deep commitment of the combatants. Proposals to enforce a no-fly zone would have little or no impact on what is now essentially a ground war with the major damage being done with artillery and mortars. The only sure outcome

of lifting the arms embargo in an attempt to aid the Bosnians would be increased bloodshed and the very real chance of escalating the violence.

### **Embargoes, Sanctions and Blockages- Why they haven't worked**

For the past year the United Nations has tried to suffocate the Balkan war by imposing a series of ever tightening embargoes, sanctions and blockages to bring the warring parties to the negotiation table. The central aim of these actions has been to subvert the Serbian war effort and reduce the flow of weapons into the region. Despite some success the overall result of these actions would have to be rated at a failure.<sup>17</sup> It is true ports along the Adriatic Sea have experienced significant reductions in traffic but sufficient loopholes and illegal shipments remain to keep supplies moving into the region. Serbia, by many assessments, has sufficient stocks of petroleum and supplies to maintain its war footing for the immediate future.<sup>18</sup> Illegal shipments of goods across land borders and down the Danube River have maintained an unchecked flow of supplies into the area.

If direct armed military intervention appears too costly in terms of resources and lives and the present embargoes, sanctions and blockages have not been able to bring about a ceasefire what alternatives do we have?

### **Economic Incentives and Disincentives an Untried Alternative Approach**

Technology and modern transportation have established interconnected global economies and have afforded the prosperous and industrialized countries of the world unique and unprecedented economic weapons to deal with the Balkan war. We have only to recognize and seize these opportunities. Just as technology produced the ultimate weapons of mass destruction, nuclear weapons, it now provides economically powerful countries the opportunity to impact the

acts of aggression of economically weaker countries with the equivalent of an "economic neutron bomb". The nature and lethality of these economic weapons is limited only by the zeal and thoroughness with which we would chose to apply them.

The key elements of such an approach would be a strong regulatory body and cooperation on employing economic weapons. An organization similar to the permanent members of the United Nations Security Council would be necessary to support such an approach. However, the prerequisites for inclusion into such a decision making body would have to change from the present prerequisite for membership into the Security Council (basically the winners of WW II). The new arrangement should be more aligned with the three global economic power regions; the U.S., Japan (Asian basin) and the European Community. Some formula considering GNP, defense expenditures and willingness to contribute to peacekeeping efforts-either with military forces or with financial contribution -might be workable. This oligopoly (of sorts) could exact tremendous economic leverage not only against a country such as Serbia, but to any nation that directly violates established global security interests. Russia, a country which allies itself with and provides economical assistance to Serbia, is itself in serious economic difficulty making it likely to concede to economic pressures.

The key threat is disenfranchisement from established global markets and the international business community both now and in the future. After all, warring countries must eventually cease aggressive armed behavior in order to become members of the evolving, growing economic marketplace. Applying economic incentives and disincentives could force a nation such as Serbia to chose today between becoming a growing economy or to remain an isolated, deteriorating economy.

What are some of the disincentives that could modify a country's behavior? Considering Serbia as a model, the following economic measures could drastically impact the government.

- ♦ A complete ban on all commercial and military flights in and out of Serbia. (Since Oct 1992 there have been 300 violations of the UN's no-fly mandate.<sup>19</sup>)
- ♦ A complete ban on all imports and exports from Serbia to include imports from the neighboring countries of Bulgaria, Macedonia, Romania, Hungary, Albania (The governments of each of these bordering countries are hungry for investment capital and would likely agree to tighten constraints on Serbia in exchange for favorable economic consideration.)
- ♦ Stop all communications (telephone etc.) to and from Serbia and freeze the assets of communication companies violating the communications blockade.
- ♦ Stop trading Serbian currency via the International Monetary Fund.
- ♦ Freeze all Serbian assets (this was completed by the Bush administration in July 1992).
- ♦ Garnish Serbian accounts (presently valued at around \$450 million)<sup>20</sup> to pay UN peacekeeping costs or damage claims as a result of Serbian aggression (To date Croatia has suffered an estimated \$20 billion in war damage).<sup>21</sup>
- ♦ Hold Serbia economically accountable for all war damage done and establish a mandate that will garnish the aggressor's future GNP (Gross National Product). Essentially the future resources and income from the land and its people would be taxed to pay for war damage. Once established as a precedent this would be a strong political deterrent.

Positive economic incentives would be important in the overall strategy of economic warfare. Certainly the most obvious positive incentive would be to reverse, where and when possible, the disincentives. Other incentives that could work to end armed aggression:



- ♦Offer Most Favored Nation trading status.
- ♦Offer credit guarantees to restore financial markets. The established UN economic control organization could in fact guarantee all loans made to a particular country.
- ♦Offer admission to the EC. In the case of Serbia a set of preconditions could be established toward an entry date near the end of the decade provided there is an immediate end to hostilities.

### **Can Peace be Bought?**

Perhaps the biggest criticism to an economic approach to peacemaking is that it appears to reward aggression and that economic actions alone cannot unilaterally stop the present fighting in Bosnia. Granted economic actions similar to those discussed would not in and of themselves bring the fighting in Bosnian to a halt. But, think back to the beginning of the conflict. If a package of economic disincentives and incentives had been in place and implemented there is a high probability that the Serbs would have thought twice before initiating armed aggression. The costs, in terms of the future economic well-being of the nation, would have simply been too great.

Considering the argument presented earlier (that the Balkan War is being fought over territorial control) it is much easier and less costly to mediate with economic weapons early on than having to resort to armed military intervention to restore peace or to keep a conflict from spreading. Bottomline, it is financially more responsible to take a proactive economic approach upfront - fix the problem before force is required. Military containment served the world well when the yardstick was graduated in increments of military power. We have entered the age of economic containment with the yardstick now graduated in dollars and cents .

## **Conclusion**

Is this the right time to get serious about using economic warfare to stop aggression?

Today the economically powerful nations are turning inward financially. The U.S. is focusing on deficit problems, Japan is mired in a recession and Germany (the economic cornerstone of the EC) is focused on reunification costs. Can we afford to fight a war in Bosnian? Are there now two types of wars: just wars and affordable wars? Certainly the political complications and complexities of a situation such as the Balkan war cannot be resolved on the recommendation of the green eyeshade economists. In the same vane there are few clear and absolute paradigms. We do know that the U.S. can no longer undertake unilateral action to solve world problems. The economic and political costs are simply too high. A lasting peace in the new world order will require the economically strong nations to develop interlocking and mutually supporting economic alliances that compliment the organizations that control the use of military power.

Finally, I want to leave this clear message. Economic weapons will not solely maintain order in the new world order anymore than nuclear weapons were solely responsible for the containment of the Soviet Union during the Cold War. Still, we must remember that the world powers are beginning to apply the dollars and sense test to global security interests.

## NOTES

<sup>1</sup> Carl Sagan, *"Five Years on Planet Earth and Beyond," Parade*, 30 April 1989. pp. 18-20.

<sup>2</sup> The power of the Yugoslav central government actually began to erode in 1980 with the death of Tito. A strong separatist movement began a year after the collapse of the Soviet Union in 1989. Although the League of Communists of Yugoslavia (the only legal political party from WW II to 1990) never depended on Soviet military for economic support for power the argument can be made that a functioning Soviet Union would not have allowed the six republics of the federation to break apart or to allow Germany to back the cause of Croatian and Slovenian sovereignty in 1991.

<sup>3</sup> *The Former Yugoslavia: A Map Folio*, The Central Intelligence Agency July 1992.

<sup>4</sup> Grolier Electronic Publishing. Subject: *Yugoslavia*, printed from on line service 12 Feb 92.

<sup>5</sup> Sabrina Petra Ramet, *"War in the Balkans"*, Foreign Affairs, Fall 1992, Vol. 71. No. 4, pp 79-80.

<sup>6</sup> Jonathan C. Randal, "Preserving the Fruits of Ethnic Cleansing" The Washington Post, 11 February 1993, pp. A34

Figures from CNN Headline News Report 15 February 1993.

<sup>7</sup> Thomas M.T. Miles, Assistant Secretary for European and Canadian Affairs, *"US Position and Proposed Actions Concerning the Yugoslav Crisis"*, Statement before the Senate Armed Services Committee Washington, DC August 11, 1992, US Department of State Dispatch Supplement, Sept 1992 Vol 3, No. 7, pp. 27.

<sup>8</sup> Roger Thurow, *"In War Ravaged Bosnia, Croatia, Sanctions Seem to come Too Late"*, The Wall Street Journal, 3 Jun 1992.

<sup>9</sup> Sabrina Petra Ramet, *"War in the Balkans"*, Foreign Affairs, Fall 1992, Vol. 71. No. 4, pp 81.

<sup>10</sup> Deborah Steinborn, *"Communications Cut, Croatian Banks Drift Between Two Worlds"*, Bank Systems and Technology, 1992.

<sup>11</sup> Belgrade Correspondent, *"A Peace that is Neither in Sight or in Mind"*, The Economist, 7 Nov 92, p. 53.

Former U.S. Secretary of State Cyrus Vance and former British Foreign Secretary Lord David Owen have proposed to a plan separate the warring Serbs, Muslims and Croats. To date (Feb 93) the parties have been unable to agree on the terms of the proposed settlement.

<sup>12</sup> Eric Schmitt, *"U.S. is Shying from Bosnian Conflict"*, The New York Times, 19 Jul 92.

<sup>13</sup> Ibid.

<sup>14</sup> Ivo Banac, *"How to Stop Serbia"*, The National Review, 14 Sept 1992, p. 18.

<sup>15</sup> Stephen Engelberg with Eric Schmitt, *"Serbs Easily Outflank U.N. Arms Embargo"*, The New York Times, 5 July 1992, Section A, p. 6.

<sup>16</sup> Steve Coll, *"Despite U.N. Embargo, Weapons Flood Into Balkans"*, The Washington Post, 14 Feb 1993, p. A39.

<sup>17</sup> Telephone interview with State Department Economist, Eastern Europe Area of Interest.

<sup>18</sup> James L. Graff, *"Leaky Sanctions"*, Time, 30 Nov 1992 p. 47.

<sup>19</sup> Telephonic interview with a Defense Department official. There is no information on how many of these violations have brought goods into Serbia.

<sup>20</sup> Robert S Greenberger, "*Attention Turns to Yugoslav Embargo As Likelihood of Military Action Fades*", The Wall Street Journal, 31 Aug 92, Section A, pp. 4.

<sup>21</sup> Jeremy Keller, "*Slovenia, Croatia, Bosnia: The Economics of Independence*," Business America, 18 May 1992, pp. 13-14.